Contents

Letter of Transmittal xi

The World Economy 1

1. Domestic Economic Activity and Policies 1
   - Industrial Countries 1
     - Growth, Employment, and Inflation 1
     - Economic Policies 2
   - Developing Countries 4
     - Growth and Inflation 4
     - Economic Policies 5
2. Trade, Payments, and Exchange Rates 6
   - World Trade 6
   - Balance of Payments Developments 6
   - Exchange Rates 7
3. External Financing and Debt in Developing Countries 9
   - External Financing 9
   - External Debt and Debt Service 10

The Fund in 1989/90 11

1. Surveillance 11
   - Article IV Consultations 13
     - Industrial Countries 14
       - United States 14
       - Japan 14
       - Germany 15
       - France 16
       - United Kingdom 16
       - Italy 17
       - Canada 17
     - Smaller Industrial Countries 18
     - Developing Countries 18
     - Eastern European Economies 20
   - World Economic Outlook 21
     - Global Situation 21
       - Industrial Country Policies 22
       - Developing Country Policies 23
     - Saving in the World Economy 24
       - Industrial Countries 24
       - Developing Countries 25
     - International Liquidity and the SDR 25
2. External Debt Situation and Strategy 26
   - Debt Strategy 27
     - Experience with Debt Reduction 27

Basis for Support 27
Scope for Debt Reduction 28
Financial Packages 29
Official Creditors 31

3. Fund Financial Support of Member Countries 33
Stand-By and Extended Arrangements 34
Main Developments 34
Policies in Member Countries 34
Arrangements Under SAF and ESAF 38
Fund-Bank Collaboration 39
Compensatory and Contingency Financing Facility 40
The Fund and Poverty Alleviation 41
Technical Assistance and Training 43

4. Trade Policy Issues 44
Developments in 1989/90 44
Role of the Fund 45
Uruguay Round 46

5. The Fund's Financial Operations and Policies 47
Ninth General Review of Quotas 47
Fund Liquidity, Borrowing, and Member Access 49
Financial Operations 51
Stand-By and Extended Arrangements 51
SAF and ESAF 52
Special Facilities 53
SDR Department 54
Pattern of Holdings 54
Total Transfers 54
Transfers Among Participants and Prescribed Holders 54
Transfers Involving the Fund 55
Overdue Financial Obligations 56
Rights Approach 58
Proposed Third Amendment 58
Fund Income, Charges, and Burden Sharing 59
Membership 59

Boxes

1. World Economic Outlook 3
2. The IMF Executive Board, the Interim Committee, and the Development Committee ... 12
3. Structural Adjustment Defined 13
4. Recent Financing Packages 28
5. Financing Assurances 30
6. Secondary Market for Developing Country Debt 32
7. Fund Facilities and Policies 36

8. Calculating Contingency Financing 41
9. Obligations of Article VIII 45
10. The Fund and the GATT 46
11. Fund Quotas 48
12. Liquidity Ratio 51

Charts

1. Industrial Countries: Real Output and Fixed Investment, 1980–89 2
2. Industrial Countries: Inflation, Unemployment, and World Oil Price, 1980–89 3
3. Major Industrial Countries: Short- and Long-Term Interest Rates, 1987–April 1990 4
4. Developing Countries: Inflation by Region, 1980–89 5
5. Major Industrial Countries: U.S. Dollar and Real Effective Exchange Rates, 1979–April 1990 7
6. Developing Countries: Real Effective Exchange Rates, 1980–April 1990 8
7. Developing Countries: Debt Outstanding and Ratios of Debt and Debt Service to Exports, 1980–89 10
8. Gross National Saving Rates: Industrial and Developing Countries, 1965–88 24
9. Secondary Market Prices for Developing Country Loans, 1986–April 1990 31
10. General Resources: Purchases and Repurchases, Financial Years Ended April 30, 1979–90 50
11. Total Fund Credit Outstanding to Members (Including Trust Fund, SAF, and ESAF), Financial Years Ended April 30, 1979–90 53

Tables

1. Selected Financial Activities, 1984–90 52
2. Transfers of SDRs, January 1, 1970–April 30, 1990 55
3. Arrears to the Fund of Members with Obligations Overdue by Six Months or More, 1986–90 57
4. Arrears to the Fund of Members with Obligations Overdue by Six Months or More, by Type and Duration, as of April 30, 1990 57

Appendices

I. International Reserves 65
II. Operations and Financial Transactions of the Fund 70
III. Technical Assistance and Training, Relations with International Organizations, and External Relations 88
IV. Principal Policy Decisions of the Executive Board 93
V. Press Communiqués of the Interim Committee and the Development Committee 110
VI. Executive Directors and Voting Power on April 30, 1990 120
VII. Changes in Membership of the Executive Board 124
VIII. Administrative and Capital Budgets 127
IX. Financial Statements 128